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WEST POINT CITY

Financial Statements,
Independent Auditors' Report,
and Supplemental Information

June 30, 2005

WEST POINT CITY

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Certified Public Accountants (a professional corporation)

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor Petroff and Members of the City Council
West Point City:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Point City (City), Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

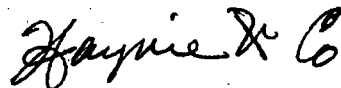
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, on pages 5 through 12 and pages 19 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Haynie & Co".

Salt Lake City, Utah
September 23, 2005

Management's Discussion and Analysis

As management of West Point City, we offer the readers of West Point City's financial statements this narrative overview and analysis of the financial activities of West Point City for the year ended June 30, 2005.

Financial Highlights

- ◆ The assets of West Point City exceeded its liabilities as of the close of the most recent year by \$7,900,761 (*net assets*). Of this amount, \$1,394,079 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The City's total net assets increased by 17.08% (\$1,152,476) to \$7,900,761. The revenues met or exceeded the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- ◆ At the close of the current year, West Point City's governmental funds reported combined ending fund balances of \$2,636,350, an increase of \$834,891 in comparison with the prior year. Approximately 14.31 percent of this total amount, \$377,326, is available for spending at the government's discretion (*unreserved fund balance*).
- ◆ At the end of the current year, unreserved fund balance for the general fund was \$377,326, or 25.89 percent of total general fund expenditures.
- ◆ West Point City's total debt decreased by \$50,000 during the current year.
- ◆ Business-type activities total assets increased by \$153,098 during the current year.

Overview of the Financial Statements - Reporting the City as a Whole

This discussion and analysis are intended to serve as an introduction to West Point City's basic financial statements. West Point City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of West Point City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of West Point City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of West Point City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of West Point City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Refer to the table of contents for the location of the government-wide financial statements.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. West Point City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

West Point City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and special revenue fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

West Point City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds

West Point City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. West Point City uses enterprise funds to account for its water, waste, and storm water utilities. The internal service fund is presented as governmental activities in the government-wide financial statements and is used to account for the fleet fund operation.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning West Point City.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of West Point City, assets exceeded liabilities by \$7,900,761 at the close of the most recent fiscal year.

By far the largest portion of West Point City's net assets (53.76 percent) reflects its investment in capital assets (e.g. land, buildings & improvements, furniture & equipment, and motor vehicles), less any related debt used to acquire those assets that is still outstanding. West Point City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although West Point City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

West Point City's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 2,694,542	\$ 1,996,018	\$ 1,028,669	\$ 927,135
Capital assets	3,102,223	2,922,691	2,520,435	2,547,258
Total assets	<u>5,796,765</u>	<u>4,918,709</u>	<u>3,549,104</u>	<u>3,474,393</u>
Long-term liabilities outstanding	1,320,000	1,425,000	-	-
Other liabilities	113,192	194,533	11,916	25,284
Total liabilities	<u>1,433,192</u>	<u>1,619,533</u>	<u>11,916</u>	<u>25,284</u>
Net Assets:				
Invested in capital assets, net of related debt	1,727,223	1,497,691	2,520,435	2,547,258
Restricted	2,259,024	1,148,658	-	-
Unrestricted	377,326	652,827	1,016,753	901,851
Total net assets	<u>\$ 4,363,573</u>	<u>\$ 3,299,176</u>	<u>\$ 3,537,188</u>	<u>\$ 3,449,109</u>

A portion of West Point City's net assets (28.59 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$1,394,079, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, West Point City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior year.

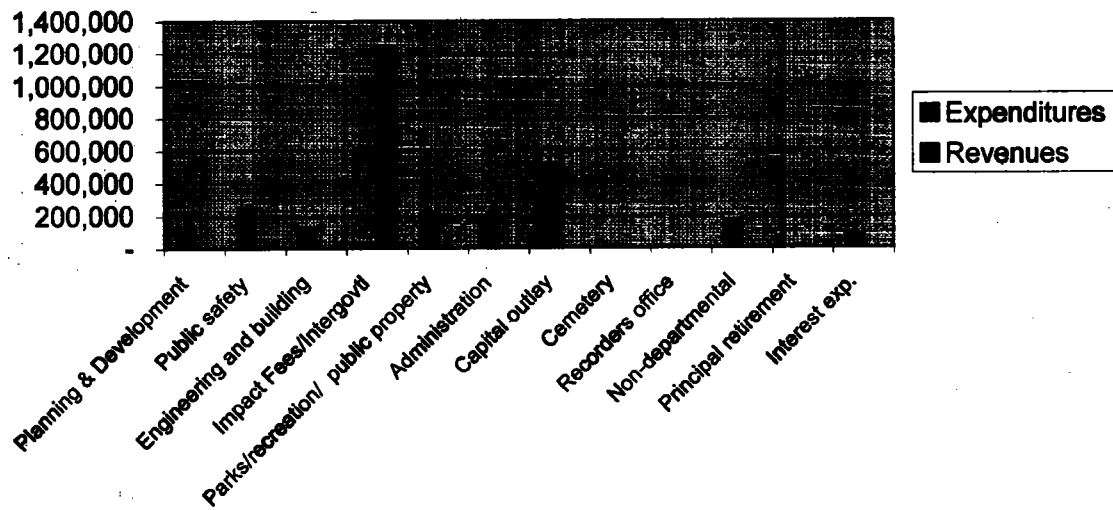
Governmental activities

Governmental activities increased West Point City's net assets by \$1,064,397. Key elements of this increase are as follows:

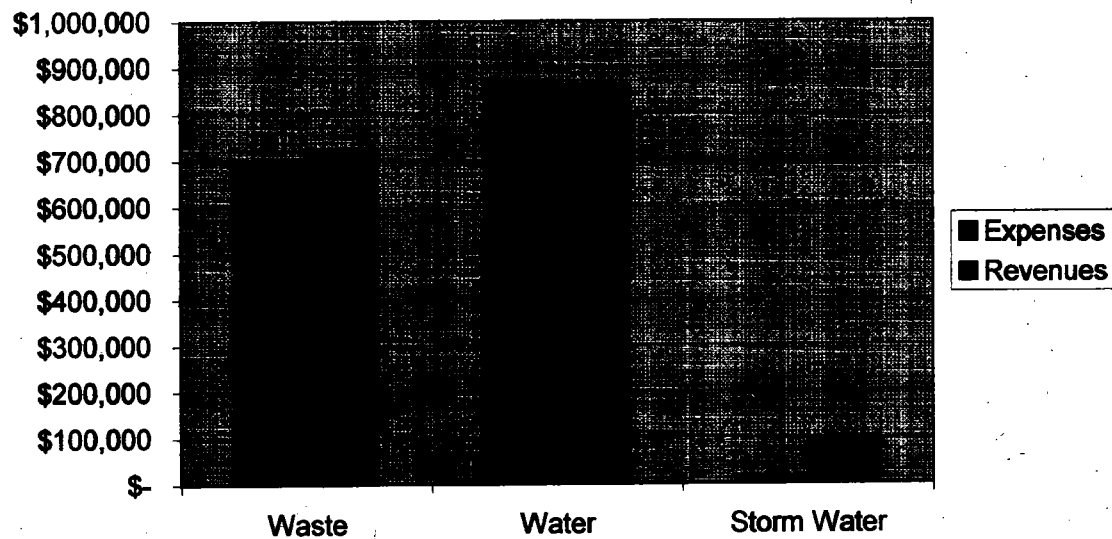
West Point City's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Program revenues:				
Charges for services	\$ 1,339,438	\$ 1,373,886	\$ 1,676,902	\$ 1,592,268
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
General revenues:				
Taxes	1,139,577	1,006,658	-	-
Licenses and permits	564,285	518,148	-	-
Miscellaneous	-	-	44,580	-
Earnings on investments	21,405	10,063	7,752	6,420
Gain on sale of assets	-	-	-	-
Other transfers and contributions	(62,496)	-	-	-
Total revenues	<u>\$ 3,002,209</u>	<u>\$ 2,908,755</u>	<u>\$ 1,729,234</u>	<u>\$ 1,598,688</u>
Expenses:				
General government	\$ 112,983	\$ 557,147	\$ -	\$ -
Public works	183,376	-	-	-
Planning and development	138,694	105,893	-	-
Public safety	254,080	201,888	-	-
Engineering and building	131,239	108,604	-	-
Highways and public improvements	32,055	248,236	-	-
Parks, recreation, and public property	212,937	167,510	-	-
Administration	165,707	-	-	-
Capital outlay	515,210	24,635	-	-
Cemetery	20,665	6,915	-	-
Recorders office	14,288	-	-	-
Non-departmental	164,341	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	78,343	-	-	-
Water, sewer, and garbage expenses	-	-	1,586,155	1,431,364
Operations and maintenance	-	31,372	-	-
Other operating expenses	-	19,399	-	-
Total expenses	<u>2,023,918</u>	<u>1,471,599</u>	<u>1,586,155</u>	<u>1,431,364</u>
Increase in net assets before transfers	<u>978,291</u>	<u>1,437,156</u>	<u>143,079</u>	<u>167,324</u>
Transfers	<u>86,106</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>
Increase in net assets	<u>1,064,397</u>	<u>1,437,156</u>	<u>88,079</u>	<u>167,324</u>
Net assets - beginning	<u>3,299,176</u>	<u>1,862,020</u>	<u>3,449,109</u>	<u>3,281,785</u>
Net assets - ending	<u>\$ 4,363,573</u>	<u>\$ 3,299,176</u>	<u>\$ 3,537,188</u>	<u>\$ 3,449,109</u>

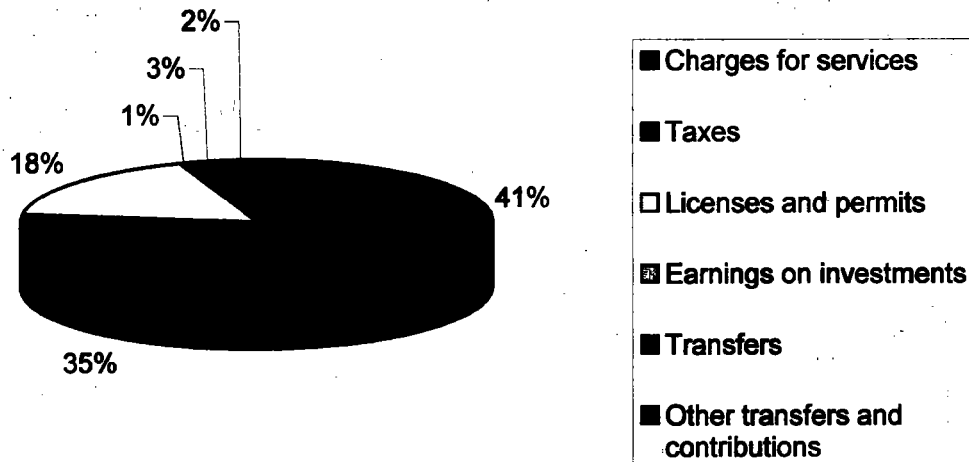
Expenditures and Program Revenues - Governmental Activities



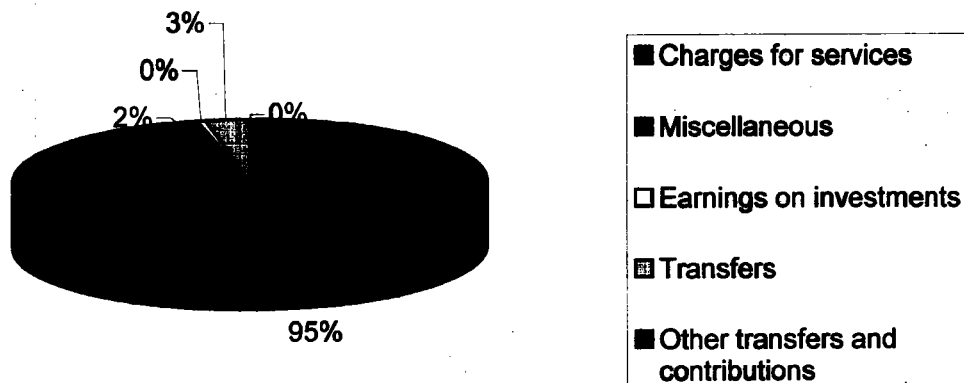
Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Governmental Activities



Revenues by Source - Business-Type Activities



♦ Charges for services decreased by \$34,448, (2.51 percent decrease) in governmental activities and increased by \$84,634 (5.32 percent increase) in the business-type activities from the prior period.

♦ Property taxes increased by \$132,919 due to an increase in assessing and collecting of property taxes.

♦ Taxes:	Property	\$	297,389
	Vehicle		63,599
	Sales and Use		470,227
	Cable TV		12,956
	Energy Sales and Use		211,040
	Telecommunications		84,366
		\$	<u>1,139,577</u>

Financial Analysis of the Government's Funds

As noted earlier, West Point City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of West Point City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing West Point City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, West Point City's governmental funds (general, special revenue, and non-major funds) reported combined ending fund balances of \$2,636,350, an increase of \$834,891 in comparison with the prior year. Approximately 45.19 percent of this amount (\$377,326) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to the general fund (\$0) and 2) to the Special Revenue Fund (\$1,684,195).

The general fund is the chief operating fund of West Point City. At the end of the current year, unreserved fund balance of the general fund was \$377,326, while total fund balance reached \$377,326. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.89 percent of total general fund expenditures, while total fund balance represents 25.89 percent of that same

Taxes continue to be the largest source of revenue in the general fund and represent 56.80% of total general fund revenues. Licenses and permits represent 28.13% of total general fund revenues.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- ◆ \$9,000 increase in taxes revenue and \$297,000 increase in licenses and permits for a total increase of \$306,000.
- ◆ \$8,991 increase in public safety, \$85,000 increase in engineering and building, \$15,500 increase in parks and recreation, \$20,443 increase in administration, and a \$6,000 increase in non-departmental for a total increase of \$135,934..

During the year, actual revenues were more than budgeted revenues by \$179,404, and actual expenditures were less than budgeted expenditures by \$55,982, resulting in a net decrease in fund balance of \$275,503 after interfund transfers in/(out) of \$0 and (\$824,496), respectively, and other transfers and contributions in/(out) of \$0 and \$0, respectively.

Capital Asset and Debt Administration

Capital assets

West Point City's investment in capital assets for its governmental activities, as of June 30, 2005, amounts to \$1,727,223 (net of accumulated depreciation). This investment in capital assets includes land, buildings & improvements, furniture & equipment, and motor vehicles. The total increase in West Point City's investment in capital assets for the current year was \$202,709.

Major capital asset events during the current year included the following:

Governmental activities

- ◆ Infrastructure additions of \$347,376, and transfers out of \$642,800
- ◆ Furniture and fixture transfers in of \$6,468
- ◆ Vehicle additions of \$24,150
- ◆ Equipment additions of \$10,000, and deletions of \$62,000

Business-type activities:

- ◆ Improvements other than building additions of \$22,547, and transfers in of \$376,557
- ◆ Equipment additions of 130,551, and transfers in of \$68,282

West Point City's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2005	2004	2005	2004
Land	\$ 380,189	\$ 380,189	\$ 55,500	\$ 55,500
Infrastructure	670,955	966,379	-	2,313,954
Buildings	1,897,288	1,897,288	60,000	60,000
Improvements other than buildings	230,870	230,870	2,737,207	-
Furniture and fixtures	79,131	72,663	-	-
Vehicles	370,850	631,361	-	177,376
Equipment	232,661	-	352,060	-
Less accumulated depreciation	(759,721)	(601,213)	(684,332)	(570,158)
Total	<u>\$ 3,102,223</u>	<u>\$ 3,577,537</u>	<u>\$ 2,520,435</u>	<u>\$ 2,036,672</u>

Additional information on West Point City's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, West Point City had total debt outstanding of \$1,375,000. The debt is comprised of revenue bonds.

West Point City's Outstanding Debt

		<u>Governmental Activities</u>	
		2005	2004
Revenue Bond:	Current	\$ 55,000	\$ 50,000
	Long-term	1,320,000	1,425,000
Total		<u>\$ 1,375,000</u>	<u>\$ 1,475,000</u>

Additional information on West Point City's long-term debt can be found in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of West Point City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the West Point City Manager, Richard Davis, at 3200 West 300 North, West Point City, Utah 84015.

West Point City
Statement of Net Assets
June 30, 2005

Assets:	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 2,667,742	\$ 868,616	\$ 3,536,358
Investments	-	-	-
Receivables:			
Accounts	26,800	160,053	186,853
Taxes	-	-	-
Intergovernmental receivable	-	-	-
Other	-	-	-
Inventory	-	-	-
Prepaid expenses	-	-	-
Capital assets, net of depreciation:			
Land	380,189	55,500	435,689
Other capital assets, net of depreciation	2,722,034	2,464,935	5,186,969
Total assets	5,796,765	3,549,104	9,345,869
Liabilities:			
Accounts payable	43,585	11,916	55,501
Accrued liabilities	14,607	-	14,607
Interest payable	-	-	-
Long-term debt:			
Due within one year	55,000	-	55,000
Due in more than one year	1,320,000	-	1,320,000
Deferred revenue	-	-	-
Total liabilities	1,433,192	11,916	1,445,108
Net assets:			
Investment in capital assets, net of debt	1,727,223	2,520,435	4,247,658
Restricted for:			
Fleet fund	-	-	-
Capital projects	571,052	-	571,052
Debt service	3,777	-	3,777
Special revenue	1,684,195	-	1,684,195
Prepaid expenses	-	-	-
Unrestricted	377,326	1,016,753	1,394,079
Total net assets	\$ 4,363,573	\$ 3,537,188	\$ 7,900,761

West Point City
Statement of Activities
For the Year Ended June 30, 2005

Functions	Expenses	Program Revenues		Capital Grants/ Contributions	Net (Expenditures) Revenues and Changes in Net Assets	Net (Expense) Revenues and Changes in Net Assets	Total
		Charges for Services	Operating Grants/ Contributions		Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 112,983	\$ 95,367	\$ -	\$ -	\$ (17,616)	\$ -	\$ (17,616)
Public works	183,376	-	-	-	(183,376)	-	(183,376)
Planning and development	138,694	-	-	-	(138,694)	-	(138,694)
Public safety	254,080	2,344	-	-	(251,736)	-	(251,736)
Engineering and building	131,239	-	-	-	(131,239)	-	(131,239)
Highways and public improvements	32,055	-	-	-	1,209,672	-	1,209,672
Parks, recreation, and public property	212,937	1,241,727	-	-	(212,937)	-	(212,937)
Administration	165,707	-	-	-	(165,707)	-	(165,707)
Capital outlay	515,210	-	-	-	(515,210)	-	(515,210)
Cemetery	20,665	-	-	-	(20,665)	-	(20,665)
Records office	14,288	-	-	-	(14,288)	-	(14,288)
Non-departmental	164,341	-	-	-	(164,341)	-	(164,341)
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	78,343	-	-	-	(78,343)	-	(78,343)
Total governmental activities	2,023,918	1,339,438	-	-	(684,480)	-	(684,480)
Business type activities							
Waste	\$ 700,282	\$ 724,111	\$ -	\$ -	\$ -	\$ 23,829	\$ 23,829
Water	871,169	862,195	-	-	(8,974)	(8,974)	(8,974)
Storm Water	14,704	90,596	-	-	-	75,892	75,892
	<u>1,586,155</u>	<u>1,676,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,747</u>	<u>90,747</u>
General revenues:							
Taxes					1,139,577	-	1,139,577
Licenses and permits					564,285	-	564,285
Miscellaneous					-	44,580	44,580
Earnings on investments					21,405	7,752	29,157
Gain on sale of asset					-	-	-
Transfers					88,106	(55,000)	31,106
Other transfers and contributions					(62,496)	-	(62,496)
Total general revenues					<u>1,748,877</u>	<u>(2,668)</u>	<u>1,746,209</u>
Change in net assets					1,064,397	88,079	1,152,476
Net assets - beginning					3,299,176	3,449,109	6,748,285
Net assets - ending					<u>\$ 4,363,573</u>	<u>\$ 3,537,188</u>	<u>\$ 7,900,761</u>

See accompanying notes to financial statements.

West Point City
Balance Sheet - Governmental Funds
June 30, 2005

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 401,681	\$ 1,691,232	\$ 571,052	\$ 3,777	\$ 2,667,742
Receivables:					
Accounts	26,800	-	-	-	26,800
Taxes	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Other	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	\$ 428,481	\$ 1,691,232	\$ 571,052	\$ 3,777	\$ 2,694,542
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 36,548	\$ 7,037	\$ -	\$ -	\$ 43,585
Accrued liabilities	14,607	-	-	-	14,607
Interest payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Total liabilities	\$ 51,155	\$ 7,037	\$ -	\$ -	\$ 58,192
Fund equity:					
Fund balances:					
Reserved for debt service, capital outlay, and other	-	1,684,195	571,052	3,777	2,259,024
Unreserved fund balance	377,326	-	-	-	377,326
Total fund equity	\$ 377,326	\$ 1,684,195	\$ 571,052	\$ 3,777	\$ 2,636,350
Total liabilities and fund equity	\$ 428,481	\$ 1,691,232	\$ 571,052	\$ 3,777	\$ 2,694,542

West Point City
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total Fund Balances - Governmental Funds	\$ 2,636,350
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,102,223
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,375,000)</u>
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Total Net Assets - Government Activities	<u>\$ 4,363,573</u>
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WEST POINT CITY
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Other	Total
	General	Special Revenue	Capital Projects	Governmental Funds	Governmental Funds
REVENUES:					
Taxes	\$ 1,139,577	\$ -	\$ -	\$ -	\$ 1,139,577
Licenses and permits	564,285	-	-	-	564,285
Intergovernmental revenues	205,677	-	-	-	205,677
Charges for services	95,367	-	-	-	95,367
Interest income	1,398	18,532	1,475	-	21,405
Impact fees	-	1,038,394	-	-	1,038,394
Miscellaneous revenues	-	-	-	-	-
Total revenues	2,006,304	1,056,926	1,475	-	3,064,705
EXPENDITURES:					
General government	\$ 102,799	\$ -	\$ -	\$ -	\$ 102,799
Public works	166,847	-	-	-	166,847
Planning and development	126,192	-	-	-	126,192
Public safety	240,276	-	-	-	240,276
Engineering and building	119,409	-	-	-	119,409
Highways and public improvements	175,713	-	-	-	175,713
Parks and recreation	193,974	-	25,324	-	219,298
Administration	150,771	-	-	-	150,771
Capital outlay	-	521,341	34,999	-	556,340
Cemetery	18,802	-	-	-	18,802
Records office	13,000	-	-	-	13,000
Non-departmental	149,528	-	-	-	149,528
Principal retirement	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	120	78,223	78,343
Total expenditures	1,457,311	521,341	60,443	128,223	2,167,318
Excess of revenues over (under) expenditures	548,993	535,585	(58,968)	(128,223)	897,387
Other financing sources (uses):					
Operating transfers in	\$ -	\$ -	\$ 630,000	\$ 132,000	\$ 762,000
Operating transfers out	(762,000)	-	-	-	(762,000)
Other transfers and contributions in	-	-	-	-	-
Other transfers and contributions out	(62,496)	-	-	-	(62,496)
Proceeds from bonds	-	-	-	-	-
Proceeds on sale of assets	-	-	-	-	-
Total other financing sources (uses)	(824,496)	-	630,000	132,000	(62,496)
Net change in fund balance	(275,503)	535,585	571,032	3,777	834,891
Fund balance July 1, 2004	652,829	1,148,610	20	-	1,801,459
Fund balance June 30, 2005	\$ 377,326	\$ 1,684,195	\$ 571,052	\$ 3,777	\$ 2,636,350

WEST POINT CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds

\$ 834,867

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

179,530

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to increase net assets.

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

50,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Net Assets of Governmental Activities

\$ 1,064,397

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 963,000	\$ 972,000	\$ 1,139,577	\$ 167,577
Licenses and permits	303,500	600,500	564,285	(36,215)
Intergovernmental revenues	203,600	203,600	205,677	2,077
Charges for services	49,300	49,300	95,367	46,067
Interest income	1,500	1,500	1,398	(102)
Impact fees	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	\$ 1,520,900	\$ 1,826,900	\$ 2,006,304	\$ 179,404
EXPENDITURES:				
General government	\$ 102,300	\$ 102,300	\$ 102,799	\$ (499)
Public works	169,741	169,741	166,847	2,894
Planning and development	128,400	128,400	126,192	2,208
Public safety	230,856	239,847	240,276	(429)
Engineering and building	85,576	170,576	119,409	51,167
Highways and public improvements	175,000	175,000	175,713	(713)
Parks and recreation	189,553	205,053	193,974	11,079
Administration	130,222	150,665	150,771	(106)
Capital outlay	-	-	-	-
Cemetery	19,567	19,567	18,802	765
Recorders office	13,000	13,000	13,000	-
Non-departmental	133,144	139,144	149,528	(10,384)
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 1,377,359	\$ 1,513,293	\$ 1,457,311	\$ 55,982
Excess of revenues over (under) expenditures	\$ 143,541	\$ 313,607	\$ 548,993	\$ 123,422
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(362,000)	(462,000)	(762,000)	(300,000)
Other transfers and contributions in	249,000	249,000	-	249,000
Other transfers and contributions out	(30,541)	(100,607)	(62,496)	38,111
Proceeds from bonds	-	-	-	-
Proceeds on sale of assets	-	-	-	-
Total other financing sources (uses)	\$ (143,541)	\$ (313,607)	\$ (824,496)	\$ (12,889)
Net change in fund balance	-	-	(275,503)	110,533
Fund balance July 1, 2004	652,829	652,829	652,829	-
Fund balance June 30, 2005	\$ 652,829	\$ 652,829	\$ 377,326	\$ 110,533

West Point City
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest income	8,000	8,000	18,532	10,532
Impact fees	540,000	540,000	1,038,394	498,394
Miscellaneous revenues	-	-	-	-
Total revenues	\$ 548,000	\$ 548,000	\$ 1,056,926	\$ 508,926
EXPENDITURES:				
General government	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Planning and development	-	-	-	-
Public safety	-	-	-	-
Engineering and building	-	-	-	-
Highways and public improvements	-	-	-	-
Parks and recreation	-	-	-	-
Administration	-	-	-	-
Capital outlay	647,260	647,260	521,341	125,919
Cemetery	-	-	-	-
Recorder's office	-	-	-	-
Non-departmental	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	\$ 647,260	\$ 647,260	\$ 521,341	\$ 125,919
Excess of revenues over (under) expenditures	(99,260)	(99,260)	535,585	383,007
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-
Other transfers and contributions in	-	-	-	-
Other transfers and contributions out	-	-	-	-
Proceeds from bonds	-	-	-	-
Proceeds on sale of assets	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	(99,260)	(99,260)	535,585	383,007
Fund balance July 1, 2004	1,148,610	1,148,610	1,148,610	-
Fund balance June 30, 2005	\$ 1,049,350	\$ 1,049,350	\$ 1,684,195	\$ 383,007

WEST POINT CITY
Statement of Net Assets - Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fleet Fund
	Waste Fund	Water Fund	Storm Water Fund	Total Enterprise Funds	
ASSETS					
Cash and cash equivalents	\$ 357,929	\$ 429,239	\$ 81,448	\$ 868,616	\$ -
Investments	-	-	-	-	-
Receivables					
Accounts	155,728	3,668	657	160,053	-
Taxes	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Prepays	-	-	-	-	-
Utility plants and equipment -- net of depreciation	567,176	1,648,510	304,749	2,520,435	-
Total assets	<u>1,080,833</u>	<u>2,081,417</u>	<u>386,854</u>	<u>3,549,104</u>	<u>-</u>
LIABILITIES					
Accounts payable	\$ -	\$ 11,916	\$ -	\$ 11,916	\$ -
Accrued liabilities	-	-	-	-	-
Interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Current portion long term debt	-	-	-	-	-
General obligation bonds payable	-	-	-	-	-
Revenue bonds payable	-	-	-	-	-
Long-term debt	-	-	-	-	-
Total liabilities	<u>-</u>	<u>11,916</u>	<u>-</u>	<u>11,916</u>	<u>-</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 567,176	\$ 1,648,510	\$ 304,749	\$ 2,520,435	\$ -
Restricted	-	-	-	-	-
Unrestricted	513,657	420,991	82,105	1,016,753	-
Total net assets	<u>1,080,833</u>	<u>2,069,501</u>	<u>386,854</u>	<u>3,537,188</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,080,833</u>	<u>\$ 2,081,417</u>	<u>\$ 386,854</u>	<u>\$ 3,549,104</u>	<u>\$ -</u>

WEST POINT CITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fleet Fund
	Waste Fund	Water Fund	Storm Water Fund	Total Enterprise Funds	
Operating revenues:					
Service charges/utility sales	\$ 730,211	\$ 747,445	\$ 90,596	\$ 1,568,252	\$ -
Connection fees	(6,100)	114,750	-	108,650	-
Intergovernmental revenues	-	-	-	-	-
Miscellaneous	44,580	-	-	44,580	-
Total operating revenues	\$ 768,691	\$ 862,195	\$ 90,596	\$ 1,721,482	\$ -
Operating expenditures:					
Personal services	\$ 119,235	\$ 120,993	\$ -	\$ 240,228	\$ -
Contracted services	-	-	-	-	-
Operations and maintenance	523,127	555,401	8,510	1,087,038	86,130
Utilities	-	-	-	-	-
Materials and supplies	19,150	17,012	-	36,162	-
General and administration	12,126	131,384	-	143,510	-
Capital outlay	149	-	-	149	-
Principal retirement	-	-	-	-	-
Depreciation	26,495	46,379	6,194	79,068	-
Total operating expenses	\$ 700,282	\$ 871,169	\$ 14,704	\$ 1,586,155	\$ 86,130
Operating income (loss)	68,409	(8,974)	75,892	135,327	(86,130)
Other financing sources:					
Operating transfers in	\$ -	\$ 111,611	\$ -	\$ 111,611	\$ 86,106
Operating transfers out	(151,611)	(15,000)	-	(166,611)	-
Proceeds on sale of bonds	-	-	-	-	-
Other transfers and contributions in	-	-	-	-	-
Other transfers and contributions out	-	-	-	-	-
Total other financing sources	\$ (151,611)	\$ 96,611	\$ -	\$ (55,000)	\$ 86,106
Non-operating revenues (expenses):					
Interest income	4,441	3,292	19	7,752	-
Interest expense	-	-	-	-	-
Total non-operating revenues (expenses)	\$ 4,441	\$ 3,292	\$ 19	\$ 7,752	\$ -
Change in net assets	(78,761)	90,929	75,911	88,079	(24)
Net assets - beginning of year	1,159,594	1,978,572	310,943	3,449,109	24
Net assets - end of year	\$ 1,080,833	\$ 2,069,501	\$ 386,854	\$ 3,537,188	\$ -

WEST POINT CITY
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities -
	Waste Fund	Water Fund	Storm Water Fund	Total Enterprise Funds	Internal Service Fleet Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 719,631	\$ 858,527	\$ 89,939	\$ 1,668,097	\$ -
Receipts from other governments	-	-	-	-	-
Receipts of miscellaneous income	44,580	-	-	44,580	-
Payments to employees	(119,235)	(120,893)	-	(240,228)	-
Payments to operations and maintenance	(523,127)	(555,401)	(8,510)	(1,087,038)	(86,130)
Payments to materials and supplies	(19,150)	(17,012)	-	(36,162)	-
Payments for administration	(37,410)	(119,468)	-	(156,878)	(2,178)
Payment for capital outlay	(149)	-	-	(149)	-
Net cash provided (used) by operating activities	\$ 65,140	\$ 45,653	\$ 81,429	\$ 192,222	\$ (88,308)
Cash flows from noncapital financing activities					
Operating transfers in	\$ -	\$ 111,611	\$ -	\$ 111,611	\$ 86,106
Operating transfers out	(151,611)	(15,000)	-	(166,611)	-
Other transfers and contributions in	-	417,591	-	417,591	-
Other transfers and contributions out	(321,940)	-	-	(321,940)	-
Net cash provided (used) by noncapital financing activities	\$ (473,551)	\$ 514,202	\$ -	\$ 40,651	\$ 86,106
Cash flows from capital and related financing activities					
Purchase/disposal of capital assets	\$ (19,150)	\$ (133,948)	\$ -	\$ (153,098)	\$ -
Net cash provided (used) by capital and related financing activities	\$ (19,150)	\$ (133,948)	\$ -	\$ (153,098)	\$ -
Cash flows from investing activities					
Interest earned	\$ 4,441	\$ 3,292	\$ 19	\$ 7,752	\$ -
Net cash provided (used) by investing activities	\$ 4,441	\$ 3,292	\$ 19	\$ 7,752	\$ -
Net increase (decrease) in cash and cash equivalents	\$ (423,120)	\$ 429,199	\$ 81,448	\$ 87,527	\$ (2,203)
Cash and cash equivalents - beginning of year	781,049	40	-	781,089	2,203
Cash and cash equivalents - end of year	\$ 357,929	\$ 429,239	\$ 81,448	\$ 868,616	\$ -
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 68,409	\$ (8,974)	\$ 75,892	\$ 135,327	\$ (86,130)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	26,495	46,379	6,194	79,068	-
Changes in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(4,480)	(3,668)	(657)	(8,805)	-
Increase (decrease) in liabilities:					
Accounts payable	(25,284)	11,916	-	(13,368)	(2,178)
Net cash provided (used) by operating activities	\$ 65,140	\$ 45,653	\$ 81,429	\$ 192,222	\$ (88,308)

WEST POINT CITY
Notes to Financial Statements

1. REPORTING ENTITY AND ITS GOVERNMENT ACTIVITY

West Point City, Utah (the City) was incorporated in 1935 and currently has an estimated population of 8,500.

The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, recreation, public improvements, planning and zoning, sewer, and general administrative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the City is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City officials who are responsible for their integrity and objectivity. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The City Council is comprised of five elected individuals and is the primary governing authority for the City. The City is not a component unit of any other primary government, and the City does not have any component units.

Government-Wide and Fund Financial Statements

The *government-wide financial statements* (the statement of net assets and the statement of activities) display information about the primary government (the City). These statements include the financial activities of the overall government, except the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function is included in those direct expenses. Depreciation expense for "shared" capital assets are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the City's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following funds:

Governmental funds - Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

- a. **General Fund** - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Capital Projects Fund** - The capital projects fund is used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds.
- c. **Special Revenue Funds** - The special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.
- d. The **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on general obligation.

Proprietary fund types - Proprietary Funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and the Internal Service Funds.

- a. **Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Funds include the Waste, Water, and Storm Water funds.
- b. **Internal Service Funds** - These funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City has an Internal Fleet Service Fund that is operated in this manner.

WEST POINT CITY
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the City receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements. Those FASB statements and interpretations issued subsequent to November 30, 1989, are not applied.

Budget and Budgetary Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires a legal adoption of an annual budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related funds financial statements. Amendments to budgets were made through legal budget amendment procedures.

Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are presented on the modified accrual basis of accounting. Budgeted amounts are as originally adopted or as amended by the City Council.

Cash and Cash Equivalents, and Investments

The City considers all cash on hand and in banks, and all highly liquid investments with a maturity of three months or less, to be cash equivalents. Investments are stated at market value, which approximates cost.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements, office furniture and equipment, vehicles and equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings & improvements	31.5
Furniture	7
Office & computer equipment	7
Motor vehicles	5

Capitalized Interest

The City capitalized interest costs and interest earned as part of the cost of constructing various buildings, and water and sewer projects when material.

Statement of Cash Flows:

For purposes of the statement of cash flows, the enterprise fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

WEST POINT CITY
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

FICA Taxes

West Point City is not exempt from withholding and paying FICA taxes.

Compensated Absences

The employees of West Point City accrue vacation and sick leave throughout the year. They are allowed to carry forward into the next calendar year all accrued vacation and sick leave, but are encouraged to take the vacation leave within the calendar in which it is earned. The amount of accumulated unpaid vacation at the end of the fiscal year is not material.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the government to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund's balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

Capital related items:

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as an expenditure in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the city as a whole.

Cost of capital assets	\$ 4,128,187
Accumulated depreciation	(759,721)
Total differences	\$ 3,368,466

B. Explanation of differences between the governmental fund operating statements and the statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balance - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 381,526
Depreciation expense	(201,996)
Total differences	\$ 179,530

Taxes and Other Significant Revenue

The property tax revenue of the City is collected and distributed by the Davis County Treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16th of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1st until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Comparative Data and Reclassifications

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Legal Compliance - Budget/Statutory

On or before the first scheduled council meeting in May, all agencies of the City submit appropriation requests to the City's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

WEST POINT CITY
Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City manager or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

3. CASH AND CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

West Point City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the City's funds in a qualified depository. The Act defines qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, West Point City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$3,251,996 of the City's bank balances of \$3,448,271 was uninsured and uncollateralized.

At June 30, 2005, the City's cash on deposit at year end were deposited in banks covered by federal depository insurance held by custodial banks in the City's name:

	Carrying Amount	Market Value	Fund
Cash on deposit available for withdrawal	\$ 401,681	\$ 706,933	General
Cash on deposit available for withdrawal	1,691,232	1,677,019	Special Revenue
Cash on deposit available for withdrawal	571,052	241,052	Capital Projects
Cash on deposit available for withdrawal	-	-	Fleet Fund
Cash on deposit available for withdrawal	3,777	-	Debt Service
Cash on deposit available for withdrawal	872,284	872,284	Enterprise
Total cash	<u>\$ 7,037,314</u>	<u>\$ 3,497,288</u>	

The City's cash per the bank is \$3,448,271. The difference is principally outstanding checks and deposits in transit.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; bankers' acceptances; obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

As of June 30, 2005, the City had no investments.

4. ACCOUNTS RECEIVABLE - ENTERPRISE FUNDS

The accounts receivable and the allowances for uncollectible accounts for the Enterprise Funds are as follows:

	Balance	Allowance for Uncollectible	Net
Waste Fund	\$ 156,405	\$ (720)	\$ 155,685
Water Fund	3,668	-	3,668
Sewer Water Fund	657	-	657
Total	<u>\$ 160,730</u>	<u>\$ (720)</u>	<u>\$ 160,010</u>

WEST POINT CITY
Notes to Financial Statements (continued)

5. CAPITAL ASSETS

Changes in governmental capital assets are comprised of the following:

	Balance June 30, 2004	Additions	Deletions	Transfers	Balance June 30, 2005
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 380,189	\$ -	\$ -	\$ -	\$ 380,189
Total capital assets, not being depreciated	380,189	-	-	-	380,189
Capital assets, being depreciated:					
Infrastructure	966,379	347,376	-	(642,800)	670,955
Buildings	1,897,288	-	-	-	1,897,288
Improvements other than buildings	230,870	-	-	-	230,870
Furniture and fixtures	72,663	-	-	6,468	79,131
Vehicles	346,700	24,150	-	-	370,850
Equipment	284,661	10,000	(62,000)	-	232,661
Total capital assets, being depreciated	3,796,561	381,526	(62,000)	(636,332)	3,481,755
Accumulated Depreciation for:					
Infrastructure	14,347	18,744	-	(5,225)	27,866
Buildings	152,600	60,231	-	-	212,831
Improvements other than buildings	83,700	15,391	-	-	99,091
Furniture and fixtures	34,968	11,304	-	924	47,226
Vehicles	225,355	73,768	-	-	299,123
Equipment	90,211	22,558	(9,374)	(29,811)	73,584
Total accumulated depreciation	601,211	201,996	(9,374)	(34,112)	759,721
Total capital assets, being depreciated, net	3,197,350	179,530	(52,626)	(602,220)	2,722,034
Governmental activities capital assets, net	\$ 3,577,539	\$ 179,530	\$ (52,626)	\$ (602,220)	\$ 3,102,223

Changes in business-type capital assets are comprised of the following:

	Balance June 30, 2004	Additions	Deletions	Transfers	Balance June 30, 2005
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 55,500	\$ -	\$ -	\$ -	\$ 55,500
Total capital assets, not being depreciated	55,500	-	-	-	55,500
Capital assets, being depreciated					
Buildings	60,000	-	-	-	60,000
Improvements other than buildings	2,338,103	22,547	-	376,557	2,737,207
Vehicles	-	-	-	-	-
Equipment	153,227	130,551	-	68,282	352,060
Office Furniture and fixtures	-	-	-	-	-
Total capital assets, being depreciated	2,551,330	153,098	-	444,839	3,149,267
Accumulated Depreciation					
Buildings	3,889	1,905	-	-	5,794
Improvements other than buildings	455,391	55,759	-	5,225	516,375
Vehicles	-	-	-	-	-
Equipment	111,874	21,404	-	28,885	162,163
Office Furniture and fixtures	-	-	-	-	-
Total Accumulated Depreciation	571,154	79,068	-	34,110	684,332
Total capital assets, being depreciated net	1,980,176	74,030	-	410,729	2,464,935
Business-type activities capital assets, net	\$ 2,035,676	\$ 74,030	\$ -	\$ 410,729	\$ 2,520,435

For the year ended June 30, 2005, depreciation expense was charged to functions of the city as follows:

Governmental Activities:	
General government	\$ 10,184
Public works	16,529
Planning and development	12,502
Public safety	23,804
Engineering and building	11,830
Highways and public improvements	17,407
Parks and recreation	21,725
Administration	14,936
Capital outlay	55,115
Cemetery	1,863
Records office	1,288
Non-departmental	14,813
Total depreciation expense, governmental activities	\$ 201,996
Business-type activities	
Waste	\$ 26,495
Water	46,379
Storm Water	6,194
Total depreciation expense	\$ 79,068

WEST POINT CITY
Notes to Financial Statements (continued)

6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 1,425,000	\$ -	\$ 50,000	\$ 1,375,000	\$ 55,000

Bonds payable at June 30, 2005 are composed of the following:

Revenue bonds issued in the amount of \$1,570,000 consisting of twenty fully registered bonds without coupons. The bonds were used for the construction of the West Point City Hall. The bonds carry interest rates of 5.4% and require 40 semi-annual payments. Interest is payable January and July 1 of each year commencing January 1, 2002. Principal payments are due July 1 of each year as follows:

\$ 1,425,000

The annual requirements to amortize all bonds and notes payable outstanding as of June 30, 2005 are as follows:

Year Ending June 30,	Bond Principal	Bond Interest	Total
2006	55,000	74,817	129,817
2007	55,000	71,814	126,814
2008	60,000	68,537	128,537
2009	60,000	65,260	125,260
2010	65,000	61,711	126,711
Other years	1,080,000	378,455	1,458,455
Total	\$ 1,375,000	\$ 720,584	\$ 2,095,584

8. PENSION PLANS

The District contributes to the Local Government Contributory Retirement System and Local Government Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement Systems and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

The City is legally obligated to contribute to the retirement systems as long as they have employees meeting membership requirements. The contribution rates in effect for the period above are as follows calculated on the applicable salary for the eligible employees. The member contributions may be deducted from the member or paid by the employer in behalf of the member. For the year ended June 30, 2005, the contribution rates are the actuarial determined rates as follows:

Utah Retirement System	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Local Governmental Division -	N/A	N/A	11.090%

The District has no liability beyond the amount of its annual contributions. All contributions by the City were made by the due dates. Contributions for the years ended June 30, 2003 to June 30, 2005 are as follows:

System	Year	Employee paid Contrib.	Employer paid for Employee Contrib.	Employer Contrib.	Salary subject to Employee Contrib.
Local Governmental Division - Noncontributory	2005	N/A	N/A	44,349	399,902
	2004	N/A	N/A	32,623	339,117
	2003	N/A	N/A	27,334	314,550
Defined Contribution System - 401(k)	2005	19,502	16,346	N/A	
	2004	13,168	13,436	N/A	
	2003	10,414	12,735	N/A	

SUPPLEMENTARY INFORMATION

WEST POINT CITY
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2005

	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>		
Assets:		
Cash and investments	\$ 3,777	\$ 3,777
Receivables:		
Accounts	-	-
Taxes	-	-
Intergovernmental receivable	-	-
Other	-	-
Due from other funds	-	-
Inventory	-	-
Prepaid expenses	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 3,777</u>	<u>\$ 3,777</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$ -	\$ -
Accrued liabilities	-	-
Due to other funds	-	-
Deferred revenue	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund equity:		
Fund balances:		
Reserved	\$ 3,777	\$ 3,777
Unreserved	-	-
	<u> </u>	<u> </u>
Total fund equity	<u>\$ 3,777</u>	<u>\$ 3,777</u>
Total liabilities and fund equity	<u>\$ 3,777</u>	<u>\$ 3,777</u>

WEST POINT CITY
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year Ended June 30, 2005

	<u>Debt Service</u>	<u>Total</u>
Revenues:		
Taxes	\$ -	\$ -
Licenses and permits	-	-
Intergovernmental revenues	-	-
Charges for services	-	-
Interest on Investments	-	-
Impact fees	-	-
Miscellaneous revenues	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>
Expenditures:		
General government	\$ -	\$ -
Public works	-	-
Planning and development	-	-
Public safety	-	-
Engineering and building	-	-
Highways and public improvements	-	-
Parks and recreation	-	-
Administration	-	-
Capital projects	-	-
Debt service:		
Principal retirement	50,000	50,000
Interest and fiscal charges	78,223	78,223
Total expenditures	<u>\$ 128,223</u>	<u>\$ 128,223</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (128,223)</u>	<u>\$ (128,223)</u>
Other financing resources:		
Operating transfers in	132,000	\$ 132,000
Operating transfers out	-	-
Other transfers and contributions in	-	-
Other transfers and contributions out	-	-
Proceeds on sale of bonds	-	-
Proceeds on sale of assets	-	-
Total other financing sources (uses)	<u>\$ 132,000</u>	<u>\$ 132,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ 3,777</u>	<u>\$ 3,777</u>
Fund balance (deficit), beginning of year	-	-
Fund balance (deficit), end of year	<u>\$ 3,777</u>	<u>\$ 3,777</u>

WEST POINT CITY
Combining Statement of Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Fleet Fund</u>
Assets:	
Cash and investments	\$ -
Receivables:	
Accounts	-
Taxes	-
Intergovernmental	-
Other	-
Prepaid expenses	-
Property, plant, & equipment, net	-
Total assets	\$ -
Liabilities:	
Accounts payable	\$ -
Due to other funds	-
Long-term debt	-
Total liabilities	\$ -
Net assets:	
Invested in capital assets, net of related debt	-
Restricted	-
Unrestricted	-
Total net assets	\$ -

WEST POINT CITY

Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds

For the Year Ended June 30, 2005

	<u>Fleet Fund</u>
Operating revenues:	
Sale of supplies	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
General and administrative	-
Operations and maintenance	86,130
Operating expenses	<u>\$ 86,130</u>
 Operating income (loss)	 <u>\$ (86,130)</u>
 Other financing sources:	
Transfers in	\$ 86,106
Other transfers and contributions in	-
Total other financing sources	<u>\$ 86,106</u>
 Non-operating revenues:	
Interest on investments	-
Total non-operating revenues	<u>\$ -</u>
 Change in net assets	 (24)
 Net assets (liabilities), beginning of year	 <u>\$ 24</u>
 Net assets (liabilities), end of year	 <u>\$ -</u>

WEST POINT CITY
Combining Statement of Cash Flows
Internal Service Fleet Fund
For the Fiscal Year Ended June 30, 2005

	<u>Fleet Fund</u>
Cash flows from operating activities:	
Receipts from sales of supplies	\$ -
Receipts from other governments	-
Payments for operations and maintenance	(86,130)
Payments for administration	(2,178)
Net cash provided (used) by operating activities	<u>\$ (88,308)</u>
Cash flows from noncapital financing activities:	
Operating transfers in	86,106
Other transfers and contributions	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ 86,106</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	-
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>
Cash flows from investing activities:	
Interest income on investments	-
Net cash provided (used) by investing activities	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	(2,203)
Cash and cash equivalents, beginning of year	<u>2,203</u>
Cash and cash equivalents, end of year	<u>\$ -</u>
Reconciliation of total operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(86,130)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	-
(Increase) decrease in operating assets:	
Accounts receivable, net	-
Prepaid expenses	-
Inventories	-
Due from other funds	-
Increase (decrease) in operating liabilities:	
Accounts payable	(2,178)
Due to other funds	-
Net cash provided (used) by operating activities	<u>\$ (88,308)</u>



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

5974 South Fashion Pointe Dr., Suite 200 South Ogden, Utah 84403 (801) 479-4800 Fax (801) 479-8941

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor Petroff and Members of the City Council
West Point City

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Point City (City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Point City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Point City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the city council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haynie & Co

Salt Lake City, Utah
September 23, 2005



SCANNED

Date

6-8-06

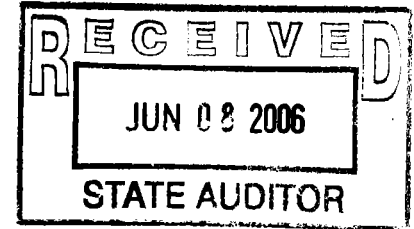
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(801) 776-0971
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www.westpointcity.org

Enhancing Quality of Life

June 7, 2006



MacRay A. Curtis, CPA
Director, Local Government Division
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
Salt Lake City, UT 84114-2310

Dear Mr. Curtis:

I am in receipt of your letter dated March 24, 2006. Allow me to address the deficiency noted in that letter and summarize our plan to address it:

Fund Balance:

On May 31, 2006, we moved \$265,000 to the Capital Projects Fund in order to capture excess fund balance. I have scheduled a budget amendment for the June 20, 2006, City Council agenda and propose moving additional money over to the Capital Projects Fund and out of the General Fund, if needed.

I appreciate your work and assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Davis'.

Rick Davis,
City Manager